

COMPLIANCE AUDIT

Register of Wills/ Clerk of Orphans' Court Montgomery County, Pennsylvania For the Period January 1, 2019 to December 31, 2022

January 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Pat Browne
Secretary
Pennsylvania Department of Revenue
Harrisburg, PA 17128

We have conducted a compliance audit of the Register of Wills/Clerk of Orphans' Court, Montgomery County, Pennsylvania (County Officer), for the period January 1, 2019 to December 31, 2022, pursuant to the requirements of Sections 401(b) and 401(d) of *The Fiscal Code*, 72 P.S. § 401(b) and § 401(d).

The objective of the audit was to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported, and promptly remitted and to provide a report to the Department of Revenue to allow the Department of Revenue to state and settle the County Officer's accounts. Our audit was limited to areas related to the objective identified above and was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

The County Officer is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted. The County Officer is also responsible for complying with those laws and regulations. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, for the period January 1, 2019 to December 31, 2022, the County Officer, in all significant respects, complied with state laws and regulations applicable to the collection of moneys on behalf of the Commonwealth, including whether they have been correctly assessed, reported, and promptly remitted, except as noted in the finding listed below and discussed later in this report:

- Inadequate Internal Controls Over The Bank Account.

This report includes summaries of the County Officer's receipts and disbursements of funds collected on behalf of the Commonwealth (summaries). We obtained data representing the County Officer's receipts and disbursements from the Pennsylvania Department of Revenue, which obtains data from each of the Commonwealth's register of wills, and clerk of orphans' court offices, and used the data to create the summary in the format required by the Department of Revenue. We also evaluated the accuracy of the data as part of our audit to conclude on the County Officer's compliance with certain state laws and regulations as described in the previous paragraph. Any adjustments that we considered necessary based on our audit work are disclosed in the *Audit Adjustments* line of the summaries; however, the scope of our audit does not include the issuance of an opinion on the accuracy of the amounts reported in the summaries.

The purpose of this report is to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported, and promptly remitted. This report is not suitable for any other purposes.

The contents of this report were discussed with the County Officer's management. We appreciate the courtesy extended to us by the Montgomery County Register of Wills/Clerk of Orphans' Court during the course of our audit. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
January 16, 2024

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REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
MONTGOMERY COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2022

The Department of Auditor General is mandated by Article IV, Section 401(b) and (d) of *The Fiscal Code* (Act of April 9, 1929, P.L.343, No. 176), to audit the accounts of each county officer to determine whether all moneys collected on behalf of the Commonwealth have been correctly assessed, reported and promptly remitted.

Register of Wills receipts consist of monies collected on behalf of the Commonwealth. These include monies collected for the following taxes and fees:

- Inheritance Taxes filed with the Register of Wills.
- Judicial Computer System/Access To Justice Fees of \$40.25 fee imposed on all petitions for grant of letters, and first filings in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts.

For the purpose of reporting the collection of Judicial Computer System/Access To Justice Fees to the Department of Revenue, the office combined the Register of Wills and Clerk of Orphans' Court collections and reported them on the Clerk of Orphans' Court's monthly report. Therefore, the amount reported on the Clerk of Orphans' Court's statement of receipts and disbursements includes the fees collected for the office of the Register of Wills.

Clerk Of Orphans' Court receipts consist of monies collected on behalf of the Commonwealth. These include monies collected for the following taxes, surcharges, and fees:

- Marriage License Tax of \$.50 on all marriage licenses filed with the Clerk of Orphans' Court.
- Marriage License Application Surcharge of \$10 imposed on all marriage license applications.
- The Marriage License Declaration Fees of \$13 imposed for the issuance of a marriage license or declaration of which the Commonwealth's portion is \$10.
- Judicial Computer System/Access To Justice Fees of \$40.25 fee imposed on all petitions for grant of letters, and first filings in petitions concerning adoptions, incompetents' estates, minors' estates, and inter vivos trusts.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
MONTGOMERY COUNTY
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2022

Total disbursements for the audit period are as follows:

Register Of Wills

Inheritance Taxes

Deposits into the Department of Revenue's cash management account	\$ 654,857,023
Credits issued by the Department of Revenue	<u>416,837</u>
Total	<u>\$ 655,273,860</u>

The Register of Wills participates in the Department of Revenue's cash management system for Inheritance Taxes. Under this system, the "Agent" deposits Inheritance Tax collections to a local account approved and established in the name of the Department of Revenue, thereby eliminating the need for the agent to issue a check to disburse these taxes. This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue.

Clerk Of Orphans' Court

Clerk of Orphans' Court checks issued to:

Department of Revenue	<u>\$ 1,092,014</u>
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This balance reflects a summary of monthly transmittal reports as settled by the Department of Revenue.

D. Bruce Hanes, Esq., served as Register of Wills/Clerk of Orphans' Court during the period January 1, 2019 to December 31, 2022.

The summaries of receipts and disbursements provide a summary of receipts and disbursements by category. The categories and the amounts of taxes, fees, and surcharges assessed are based on Pennsylvania laws and regulations.

The summaries were prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Revenue. Under this method, only the Commonwealth portion of cash receipts and disbursements are presented, revenues are recognized when received, and expenditures are recognized when paid.

REGISTER OF WILLS
MONTGOMERY COUNTY
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2022

Receipts:

Inheritance Taxes	\$ 655,273,860
Disbursements and credits to Commonwealth	<u>(655,273,860)</u>
Balance due Commonwealth (County) per settled reports	-
Audit adjustments	<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2019 to December 31, 2022	<u><u>\$ -</u></u>

CLERK OF ORPHANS' COURT
MONTGOMERY COUNTY
SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2022

Receipts:

Marriage License Taxes	\$	7,989
Marriage License Application Surcharges		159,770
Marriage License Declaration Fees		159,770
Judicial Computer System/Access To Justice Fees		<u>764,485</u>
Total Receipts		1,092,014
Disbursements to Commonwealth		<u>(1,092,014)</u>
Balance due Commonwealth (County) per settled reports		-
Audit adjustments		<u>-</u>
Adjusted balance due Commonwealth (County) for the period January 1, 2019 to December 31, 2022	\$	<u><u>-</u></u>

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
MONTGOMERY COUNTY
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2022

Finding - Inadequate Internal Controls Over The Bank Account

Our audit of the accounting records for the office disclosed that there was an \$81,685 difference between the office's operating fund bank balance and the book balance. In addition, the office did not reconcile the escrow report balance to the bank balance. Therefore, we were unable to determine the difference between the bank balance for the operating fund and the fund's book balance on December 31, 2022. The operating fund's bank account is essentially an escrow account on behalf of the Commonwealth and other participating parties. As a result of the unreconciled difference, the actual amounts owed to the various entities could not be determined.

A good system of internal controls ensures that bank statements are reconciled to the book balance and the escrow report on a monthly basis and any discrepancies are immediately investigated and resolved.

The office staff stated that the bank balance was correct. However, they stated that the office experienced problems with the updating and changing of computer software packages which affected the calculation of the book balance. The office requested assistance from the Montgomery County Controller's Office; however, this office has not been able to correct the issue.

Without a good system of internal controls over the bank account, the possibility of funds being lost or misappropriated increases significantly.

Recommendation

We recommend that the office establish and implement an adequate system of internal controls over the bank account and the office's book balance as noted above.

Management's Response

The County Officer responded as follows:

Register of Wills office is aware of problems. With assistance of Controller's office we are reviewing all years from 2017 forward to find possible human error in posting to General Ledger.

Auditors Conclusion

We appreciate the officeholder's efforts to correct this issue. During our next audit, we will determine if the office complied with our recommendation.

REGISTER OF WILLS/
CLERK OF ORPHANS' COURT
MONTGOMERY COUNTY
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2022

This report was initially distributed to:

The Honorable Pat Browne
Secretary
Pennsylvania Department of Revenue

The Honorable Andrea Tuominen
Court Administrator of Pennsylvania
Supreme Court of Pennsylvania
Administrative Office of Pennsylvania Courts

The Honorable D. Bruce Hanes, Esq.
Register of Wills/Clerk of Orphans' Court

The Honorable Karen Sanchez
Controller

The Honorable Janila H. Winder
Chairperson of the Board of Commissioners

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.